

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 30, 2003

In Reply Refer To:
Upper Peninsula Power Company
Docket No. ES03-29-000

Upper Peninsula Power Company
c/o Wisconsin Public Service Corporation
Attn: Barth J. Wolf, Esq.
Secretary and Manager - Legal Services
Wisconsin Public Service Corporation
700 North Adams Street
Green Bay, WI 54301-5173

Dear Mr. Wolf:

1. On March 31, 2003, on behalf of Upper Peninsula Power Company (Upper Peninsula), you filed an application pursuant to Section 204 of the Federal Power Act (FPA), 16 U.S.C. § 824c (2000). The application requests that the Commission authorize Upper Peninsula to issue long-term, unsecured debt in an amount not to exceed \$15 million at any one time.
2. Upper Peninsula also requests a waiver of the Commission's competitive bidding and negotiated placement requirements, 18 C.F.R. § 34.2 (2003).
3. Notice of the application was published in the Federal Register, 68 Fed. Reg. 17,795 (2003), with protests and interventions due on or before April 25, 2003. None was filed.
4. In light of representations and facts in the application, we will conditionally approve the requested securities issuance, as ordered below, as satisfying Section 204(a) of the FPA, 16 U.S.C. § 824c(a) (2000).

5. On February 21, 2003, the Commission issued an order announcing four restrictions on all future public utility issuances of secured and unsecured debt.¹ First, public utilities seeking authorization to issue debt backed by a utility asset must use the proceeds of the debt for utility purposes. Second, if any utility assets that secure debt issuances are divested or "spun off," the debt must follow the asset and also be divested or "spun off." Third, if any of the proceeds from unsecured debt are used for non-utility purposes, the debt must follow the non-utility assets. Specifically, if the non-utility assets are divested or "spun-off," then a proportionate share of the debt must follow the divested or "spun-off" non-utility asset. Finally, if utility assets financed by unsecured debt are divested or "spun-off" to another entity, then a proportionate share of the debt must also be divested or "spun off." Consistent with the Westar Order, we will condition our approval of the requested securities issuance on these conditions, as ordered below.

6. In addition, given Upper Peninsula's financial condition, as described in the application, we will condition our approval of the requested securities issuance upon Upper Peninsula filing quarterly informational status reports detailing its financial condition within 30 days of the end of each calendar quarter, as ordered below.

The Commission orders:

(A) Upper Peninsula is hereby authorized to issue long-term, unsecured debt in an amount not to exceed \$15 million at any one time, upon the terms and conditions and for the purposes specified in the application, subject to the following conditions:

(B) The authorization is effective as of the date of this order and terminates two years thereafter.

(C) Upper Peninsula's requested waiver of the Commission's competitive bidding and negotiated placement requirements, 18 C.F.R. § 34.2 (2003), is hereby granted.

(D) The securities are subject to the Commission's restrictions on secured and unsecured debt as outlined in the body of this letter order and described more fully in the Westar Order.

(E) Upper Peninsula is required to file quarterly informational status reports detailing its financial condition within 30 days of the end of each calendar quarter.

¹Westar Energy, Inc., 102 FERC ¶ 61,186 (2003) (Westar Order).

(F) Upper Peninsula must file a Report of Securities Issued, under 18 C.F.R. §§ 34.10 and 131.43 (2003), no later than 30 days after the sale or placement of long-term debt or equity securities.

(G) The authorization in Ordering Paragraph (A), above, is without prejudice to the authority of the Commission with respect to rates, service, accounts, valuation, estimates or determination of cost or any other matter whatsoever now pending or which may come before this Commission.

(H) Nothing in this letter order shall be construed to imply any guarantee or obligation on the part of the United States with respect to any security to which this letter order relates.

By direction of the Commission.

Magalie R. Salas,
Secretary.